

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name E.U.P. Employment & Training Consortium	County Chippewa
Fiscal Year End June 30, 2006	Opinion Date October 20, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

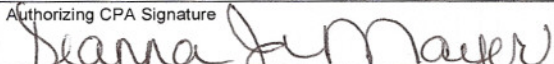
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature 	Printed Name Deanna J. Mayer		License Number 1101028546

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

BASIC FINANCIAL STATEMENTS

June 30, 2006

**EASTERN UPPER PENINSULA EMPLOYMENT
AND TRAINING CONSORTIUM**

APPOINTED OFFICIALS

Chairperson	Jim Farero
Vice Chairperson	Phyllis French
Board Member	Nancy Morrison
Board Member	Carl Frazier
Board Member	Bernard Lajoie
Board Member	Richard Timmer

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Independent Auditor's Report

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the accompanying financial statements of the governmental activities and each major fund of the E.U.P. Employment and Training Consortium as of and for the year ended June 30, 2006, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of E.U.P. Employment and Training Consortium. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the E.U.P. Employment and Training Consortium as of June 30, 2006, and the respective changes in financial position where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

E.U.P. Employment and
Training Consortium

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the E.U.P. Employment and Training Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified in the Table of Contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the E.U.P. Employment and Training Consortium's basic financial statements. The accompanying information identified in the Table of Contents and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 20, 2006

Management's Discussion and Analysis

Eastern Upper Peninsula Employment and Training Consortium

Management's Discussion and Analysis June 30, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Consortium's operations in more detail than the government-wide financial statements.

The Consortium as a Whole

The Consortium's combined net assets decreased 10.24% from a year ago, decreasing from \$77,501 to \$69,566. In a condensed format, the table below shows a comparison of the net assets as of the current date.

	Governmental Activities 2005	Governmental Activities 2006
Current Assets	\$ 302,354	\$ 229,801
Capital Assets	14,043	11,235
Total Assets	<u>\$ 316,397</u>	<u>\$ 241,036</u>
Current Liabilities	<u>\$ 238,896</u>	<u>\$ 171,470</u>
Total Liabilities	<u>238,896</u>	<u>171,470</u>
Net Assets		
Invested in Capital Assets	14,043	11,235
Unrestricted (Deficit)	<u>63,458</u>	<u>58,331</u>
Total Net Assets	<u>77,501</u>	<u>69,566</u>
Total Liabilities and Net Assets	<u>\$ 316,397</u>	<u>\$ 241,036</u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Management's Discussion and Analysis
June 30, 2006**

The current level of unrestricted net assets for our governmental activities stands at \$58,331, or about 2.61% of expenses.

The following table shows the activities of the Consortium.

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>
Program Revenues		
Operating Grants	\$ 2,246,329	\$ 2,196,188
General Revenues		
Unrestricted Investment Earnings	457	922
Other Local Sources - General	<u>30,466</u>	<u>29,934</u>
Total Revenues	<u>2,277,252</u>	<u>2,227,044</u>
Program Expenses		
Administration	297,391	290,298
Supportive Services	152,555	102,987
Training Services	362,313	527,133
Direct Client Services	189,251	237,538
Information & Technology	25,056	24,152
Employment Services	79,451	123,632
Other Programmatic	352,777	172,138
Core Services	174,653	142,885
Intensive Services	182,889	167,236
In-School Youth	238,410	241,529
Out-of-School Youth	232,189	202,643
Depreciation – Unallocated	<u>4,908</u>	<u>2,808</u>
Total Expenses	<u>2,291,843</u>	<u>2,234,979</u>
Change in Net Assets	(14,591)	(7,935)
Beginning Net Assets	<u>92,092</u>	<u>77,501</u>
Ending Net Assets	<u>\$ 77,501</u>	<u>\$ 69,566</u>

Governmental Activities

Grant Allocations for the period of July 1, 2005 through June 30, 2006 are as follows:

Workforce Investment Act (WIA) – Adult, \$486,059; Youth, \$459,403; and Dislocated Workers, \$303,734. Local Administration supported by the three funding sources totaled \$148,707. An additional \$30,768 of prior year funding was carried-into the current year.

WIA Performance Incentive Award – \$15,091, this year's allocation was a reduction of \$4,803 or 23.20% from the prior year. An additional \$4,281 was carried-in from the prior year.

WIA Incumbent Worker – \$16,296, funding was increased \$266 or 1.6% over the prior year. Carry-in totaled \$6,023. For a second year in a row, there was no Incumbent Worker Incentive Award.

WIA Dislocated Worker National Reserve – \$1,249, funding was reduced \$24,443 or 95.14%. Carry-in totaled \$3,301.

The WIA Distance Learning Pilot Program was completed in June 2006. The \$65,000 allocated for the 17 month period ended with \$40,527 in expenditures for that time period, thus 62.35% spent.

WIA Capacity Building – \$24,000, remained the same as the prior year.

WIA State Wide Youth – \$4,313 remained the same as the prior year.

WIA State Wide One Stop Service Center – \$40,000, the allocation remained unchanged; however, the funding source changed from Reed Act-One Stop Service Center.

The WIA Displaced Homemaker Program was re-established with funding of \$39,121.

Employment and Re-employment Services – \$141,328 of combined allocations were a 33.29% increase over the prior year. Additionally, \$18,868 was carried-forward.

Grant Allocations for the period of October 1, 2005 through September 30, 2006 were as follows:

Work First – TANF-A, \$361,911 and State GF/GP, \$72,273. The State re-released \$347 of recaptured Reed Act funds to the Consortium. TANF-B (Transportation-to-Work) was not funded this year. Overall, allocations for the Work First Program decreased 8.23%.

Food Assistance – Program Operations (Type A), \$17,787, and Supportive Services (Type B), \$1,250. Both allocations were fully expended, which represents a 134% increase in spending over the prior year.

Trade Adjustment Assistance - \$4,494, the project is now complete; thus, funding will no longer continue.

Eastern Upper Peninsula Employment and Training Consortium

Management's Discussion and Analysis June 30, 2006

Drunk Drive Jail Reduction Program – \$2,279, funding was reduced \$8,521 or 79% from the prior year.

Community Corrections - \$127,000 remained the same as the prior year.

During the monitoring of our Work First Subcontractor disallowed costs were discovered. The subcontract reimbursed the Consortium for the following grant amounts: Prior year TANF-\$7,646 and Reed Act-\$2,989 current year TANF-\$5,954, for a total of \$16,589. Under direction from the State Office of Finance & Administrative Services, the prior year's amount of \$10,635 was returned to the State. Of this amount, the Reed Act portion is to be returned to the Consortium as carry-in dollars for the upcoming program year. The current year's disallowed cost remained with the Consortium and was re-issued to the subcontractor for new allowable expenditures.

In August, \$9,266 of additional recaptured Reed Act funds were re-released to the Consortium. Due to the lateness of this distribution, the allocation was allowed to be carried-forward into the next program year.

Additional allocations which will be carried-forward into the next program year are: Adult, \$19,780; Youth, \$25,993; Dislocated Worker, \$36,800; local Administration, \$29,006; and Employment Services, \$14,238.

The Consortium changed health care providers in November 2005, saving a minimum of \$5,490.

The Strategic Planning Initiative invested \$45,000 in Certificates of Deposit in February 2006. This significantly increased our rate of return, with over \$400 of additional interest, compared to the prior year.

Original vs. Final Budget

The Original budgets for both the General Fund and the Strategic Planning Initiative were approved in December 2005. Both budgets were adjusted during the year.

Capital Assets

The Consortium's investment in capital assets decreased by \$2,808 during the fiscal year. This is summarized as follows:

	Balance 07/01/05	Additions	Deletions	Balance 06/30/06
Capital Assets	\$ 44,284	\$ -	\$ -	\$ 44,284
Less: Accumulated Depreciation	(30,241)	(2,808)	-	(33,049)
Net Investment Capital Assets	<u>\$ 14,043</u>	<u>\$ (2,808)</u>	<u>\$ -</u>	<u>\$ 11,235</u>

See Note 4 - Capital Assets later in the audit report for more detail.

Economic Factors and Next Year's Budget

Michigan Works! Allocations are expected to decline again next year. Comparing initial allocations to the prior year's initial allocations, projections are as follows: Workforce Investment Act, for all funding sources, a reduction of \$123,105 (7.95 percent); Employment Services/Re-employment Services, a reduction of \$13,403 (12.72 percent); Work First Program, a reduction of \$20,890 (5 percent); Food Assistance, a reduction of \$7,355 (31.59 percent); and Community Corrections and the Drunk Driver Jail Reduction Program to remain the same.

Health insurance costs are project to increase approximately \$3,500 (9.4 percent).

Interest for the year is project to be between \$1,800 and \$2,000.

It remains our intent to maintain the satellite office in Newberry and St. Ignace. We will continue to work with our service providers to efficiently and effectively manage the funds available for workforce development.

Restricted Funds

The Consortium, when authorized by the Board, will continue to use its Strategic Planning fund to support activities that are in keeping with our goals of increasing workforce readiness, improving academic performance, and attracting high tech wage jobs in the area.

Contacting the Consortium's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Consortium's finances and to show the Consortium's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Consortium's office at: 1118 E. Easterday Avenue Sault Ste. Marie, Michigan, 49783 or (906) 635-1752.

Basic Financial Statements

Eastern Upper Peninsula Employment and Training Consortium

Statement of Net Assets June 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS:	
Current Assets:	
Cash & Investments	\$ 79,611
Receivables:	
Grants	139,353
Accounts	1,203
Prepaid Expenses	9,634
	<u>229,801</u>
Total Current Assets	
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation)	<u>11,235</u>
TOTAL ASSETS	<u><u>\$ 241,036</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	146,348
Accrued Liabilities	6,372
Deferred Revenue	10,223
Accrued Compensated Absences	8,527
	<u>171,470</u>
TOTAL LIABILITIES	
NET ASSETS:	
Invested in Capital Assets	11,235
Unrestricted	<u>58,331</u>
TOTAL NET ASSETS	<u><u>\$ 69,566</u></u>

**Eastern Upper Peninsula
Employment and Training Consortium**

**Statement of Activities
Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues	Governmental Activities
		Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Administration	\$ 290,298	\$ 354,423	\$ 64,125
Supportive Services	102,987	102,987	-
Training Services	527,133	527,133	-
Direct Client Services	237,538	237,538	-
Information & Technology	24,152	24,102	(50)
Employment Services	123,632	123,632	-
Other Programmatic	172,138	169,457	(2,681)
Core Services	142,885	45,508	(97,377)
Intensive Services	167,236	167,236	-
In-School Youth	241,529	241,529	-
Out-of School Youth	202,643	202,643	-
Depreciation - Unallocated	2,808	-	(2,808)
Total Governmental Activities	<u>\$ 2,234,979</u>	<u>\$ 2,196,188</u>	<u>(38,791)</u>
General Revenues:			
Other Local Sources - General			29,934
Investment Earnings			<u>922</u>
Total General Revenues			<u>30,856</u>
Changes in Net Assets			<u>(7,935)</u>
Net Assets - Beginning			<u>77,501</u>
Net Assets - Ending			<u><u>\$ 69,566</u></u>

Eastern Upper Peninsula Employment and Training Consortium

Balance Sheet Governmental Funds June 30, 2006

	General	Strategic Planning Initiative	WIA Adult	WIA Youth	WIA Dislocated Worker	TANF Work First - 9/06	Employment Services	Community Corrections - 9/06	WIA Administration	Other Governmental Funds	Total Governmental Funds
ASSETS:											
Cash & Investments - Unrestricted	\$ 2,385	\$ 40,778	\$ 5,046	\$ 4,719	\$ 4,984	\$ 5,082	\$ 4,090	\$ -	\$ -	\$ 12,527	\$ 79,611
Receivables:											
Grants	-	-	50,279	25,626	28,754	-	1,588	16,046	5,207	11,853	139,353
Accounts	-	-	-	-	-	-	-	-	-	1,203	1,203
Due from Other Funds	-	14,820	-	-	-	-	-	-	-	-	14,820
Prepaid Expenses	8,634	1,000	-	-	-	-	-	-	-	-	9,634
TOTAL ASSETS	<u>\$ 11,019</u>	<u>\$ 56,598</u>	<u>\$ 55,325</u>	<u>\$ 30,345</u>	<u>\$ 33,738</u>	<u>\$ 5,082</u>	<u>\$ 5,678</u>	<u>\$ 16,046</u>	<u>\$ 5,207</u>	<u>\$ 25,583</u>	<u>\$ 244,621</u>
LIABILITIES:											
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,753	\$ 2,127	\$ 4,940	\$ 14,820
Accounts Payable	729	-	55,299	30,328	31,473	1,623	4,911	8,018	966	13,001	146,348
Accrued Liabilities	30	-	26	17	17	450	767	275	2,114	2,676	6,372
Deferred Revenue	-	-	-	-	2,248	3,009	-	-	-	4,966	10,223
TOTAL LIABILITIES	<u>759</u>	<u>-</u>	<u>55,325</u>	<u>30,345</u>	<u>33,738</u>	<u>5,082</u>	<u>5,678</u>	<u>16,046</u>	<u>5,207</u>	<u>25,583</u>	<u>177,763</u>
FUND BALANCES:											
Unreserved:											
Designated	-	56,598	-	-	-	-	-	-	-	-	56,598
Undesignated	10,260	-	-	-	-	-	-	-	-	-	10,260
TOTAL FUND BALANCES	<u>10,260</u>	<u>56,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,858</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,019</u>	<u>\$ 56,598</u>	<u>\$ 55,325</u>	<u>\$ 30,345</u>	<u>\$ 33,738</u>	<u>\$ 5,082</u>	<u>\$ 5,678</u>	<u>\$ 16,046</u>	<u>\$ 5,207</u>	<u>\$ 25,583</u>	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities											11,235
Compensated absences liability											(8,527)
Net assets of governmental activities											<u>\$ 69,566</u>

Eastern Upper Peninsula Employment and Training Consortium

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended June 30, 2006

	General	Strategic Planning Initiative	WIA Adult	WIA Youth	WIA Dislocated Worker	TANF Work First - 9/06	Employment Services	Community Corrections 9/06	WIA Administration	Other Governmental Funds	Total Governmental Funds
REVENUES:											
Federal Sources	\$ -	\$ -	\$ 466,279	\$ 433,470	\$ 266,936	\$ 230,491	\$ 135,889	\$ -	\$ 119,701	\$ 351,689	\$ 2,004,455
State Sources	-	-	-	-	-	-	-	28,262	-	163,471	191,733
Local Sources	29,626	-	-	-	-	-	-	-	-	-	29,626
Interest on Deposits	-	922	-	-	-	-	-	-	-	-	922
Miscellaneous Sources	308	-	-	-	-	-	-	-	-	-	308
TOTAL REVENUES	29,934	922	466,279	433,470	266,936	230,491	135,889	28,262	119,701	515,160	2,227,044
EXPENDITURES:											
Administration	26,853	5,496	-	-	-	24,745	21,295	20,843	119,701	70,462	289,395
Supportive Services	-	-	-	-	-	45,272	-	-	-	57,715	102,987
Training Services	-	-	285,222	-	149,630	-	-	-	-	92,281	527,133
Direct Client Services	-	-	-	-	-	160,474	-	-	-	77,064	237,538
Information & Technology	-	-	-	-	-	-	-	-	-	24,102	24,102
Employment Services	-	-	-	-	-	-	114,569	-	-	9,063	123,632
Other Programmatic	-	2,500	-	-	-	-	25	7,419	-	162,013	171,957
In-School Youth	-	-	-	233,952	-	-	-	-	-	7,577	241,529
Core Services	-	-	97,377	-	44,346	-	-	-	-	1,162	142,885
Intensive Services	-	-	83,680	-	72,960	-	-	-	-	10,596	167,236
Out-of School Youth	-	-	-	199,518	-	-	-	-	-	3,125	202,643
TOTAL EXPENDITURES	26,853	7,996	466,279	433,470	266,936	230,491	135,889	28,262	119,701	515,160	2,231,037
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,081	(7,074)	-	-	-	-	-	-	-	-	(3,993)
FUND BALANCES, JULY 1	7,179	63,672	-	-	-	-	-	-	-	-	70,851
FUND BALANCES, JUNE 30	\$ 10,260	\$ 56,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,858

**Eastern Upper Peninsula
Employment and Training Consortium**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2006**

Net Changes in fund balances – total governmental funds \$ (3,993)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense (\$2,808). (2,808)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the following net changes.

Compensated absences (1,134)

Changes in net assets of governmental activities \$ (7,935)

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eastern Upper Peninsula Employment and Training Consortium conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Consortium:

A – Reporting Entity:

E.U.P. Employment and Training Consortium was established to provide training and education services to displaced workers and individuals seeking to enter the work place. Its service area includes Luce County, Chippewa County, and Mackinac County. Board members consist of governmental officials as well as members of private industry.

Due to changes by the State of Michigan, which were effective July 1, 1997, the training and education services are administered by outside providers. The funding continues to flow through E.U.P. Employment and Training Consortium. The Consortium is responsible for monitoring these providers. The service providers are subcontractors of the Consortium.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest on deposits are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are used to account for the government's general activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Consortium reports the following major governmental funds:

General Fund

This is the Consortium's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Strategic Planning Initiative

This fund accounts for strategic planning activities.

WIA Adult

This fund accounts for training and job placement for adults.

WIA Youth

This fund accounts for training and job placement for youths.

WIA Dislocated Worker

This fund accounts for training and job placement for dislocated workers.

TANF - Work First - 9/06

This fund accounts for services to welfare recipients designed to increase self-sufficiency.

Employment Services

This fund provides job search assistance and labor market information to a universal population in the three county area. It also has the responsibility of assuring unemployed claimants are appropriately registered for work. In addition, it services as a complaint coordinator for workers and employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Corrections 9/06

This fund accounts for the publicly funded program established by Public Act 511 to provide alternative sentencing options for certain offenders, reduce prison commitment rates, and enhance the use of County jails.

WIA Administration

This fund accounts for the administration of the WIA programs.

Additionally, the Consortium reports the following fund types:

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items – Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	7 to 30 years
Furniture and Equipment	5 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental-type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or in which such events take place.

There is vesting of accumulated unpaid vacation leave beyond the current fiscal year; however, there is no vesting of unpaid sick leave. At June 30, 2006 the liability for unpaid vacation leave was \$8,527.

Cost Allocation - Joint costs are allocated to benefiting programs using time and attendance allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel - Agency personnel time is identified by cost category such as administration, training, or intensive services, and information technology based on job functions and is charged to those particular cost pools. The cost pools are then allocated to various funding sources based on the percentage of direct personnel charges for the period. All direct costs are identified as such and charged to the appropriate funding source and cost category.

Space Costs - Space costs (maintenance, utilities, insurance, etc.) are charged to the administrative, training related, or direct training cost pools, based on square footage and then utilization, then further allocated based on time and attendance or participant enrollment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Joint Costs - Other joint costs are charged to agency programs based on the amounts used by each program or other appropriate methodology.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

Deferred Revenues - The Consortium reports deferred revenue on its balance sheet. Deferred revenues arise when resources are received by the Consortium before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Consortium has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Prior to the beginning of the fiscal year, Consortium administration personnel prepare the budget for all governmental funds. The budgets are reviewed and approved by the appropriate state or federal governing body for final approval. The budgets lapse at the program year end period.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Consortium's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents - Unrestricted	<u>\$ 79,611</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking)	<u>\$ 79,611</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Consortium's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Consortium's investment policy does not have specific limits in excess of state law on investment credit risk. The Consortium has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Consortium's deposits may not be returned. State law does not require and the Consortium does not have a policy for deposit custodial credit risk. As of year end, 100% of the Consortium's bank balance of \$106,043 was covered by federal depository insurance according to FDIC regulations.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Consortium to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Consortium's deposits and investment policy are in accordance with statutory authority.

These deposits are in one financial institution. The account is in the name of the Consortium. It is recorded in Consortium records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets being depreciated:				
Leasehold Improvements	\$ 19,659	\$ -	\$ -	\$ 19,659
Furniture and Equipment	<u>24,625</u>	<u>-</u>	<u>-</u>	<u>24,625</u>
Subtotal	<u>44,284</u>	<u>-</u>	<u>-</u>	<u>44,284</u>
Less accumulated depreciation for:				
Leasehold Improvements	5,616	2,808	-	8,424
Furniture and Equipment	<u>24,625</u>	<u>-</u>	<u>-</u>	<u>24,625</u>
Subtotal	<u>30,241</u>	<u>2,808</u>	<u>-</u>	<u>33,049</u>
Total Capital Assets – Net of Depreciation	<u>\$ 14,043</u>	<u>\$ (2,808)</u>	<u>\$ -</u>	<u>\$ 11,235</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$(2,808). The Consortium determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Consortium reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assts/balance sheet for governmental funds.

Interfund balances at June 30, 2006 consisted of the following:

	DUE FROM			
	WIA Administration	Community Corrections 09/06	Nonmajor Funds	Total
Strategic Planning	\$ 2,127	\$ 7,753	\$ 4,940	\$ 14,820
Total	\$ 2,127	\$ 7,753	\$ 4,940	\$ 14,820

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6 - ACCOUNTS PAYABLE

The Consortium's accounts payable balance as of June 30, 2006 consists of the following:

Consolidated Community Schools	\$ 128,971
Other - Vendors	17,377
Total	\$ 146,348

NOTE 7 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Consortium joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

NOTE 7 - RISK MANAGEMENT (Continued)

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 8 - CONTINGENT LIABILITIES

The Consortium receives significant financial assistance from federal and state agencies in the form of grants. The distribution of funds from the various programs generally requires compliance with terms and conditions specified in the applicable grant agreement and is subject to examination by the grantor agency. Any disallowed claims resulting from such examination could become a liability of the applicable special revenue fund. It is the opinion of the administration that any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Consortium at June 30, 2006.

The Consortium has outstanding contractual obligations to service providers in the amount of \$128,971. Amounts are payable as contract services are provided.

NOTE 9 - LEASE COMMITMENTS

The Consortium currently leases office space on Easterday Avenue from an individual for their main office. The lease terms require monthly payments of \$4,500 from July 1, 2005 through June 30, 2006. The monthly payments increase to 4,750 from July 1, 2006 through June 30, 2010. The lease contains a cancellation provision in the event that the Consortium's present funding is terminated and an option to renew for an additional three (3) year period commencing July 1, 2010.

The Consortium's future minimum rental commitments for the aforementioned lease agreement accounted for as an operating lease at June 30, 2006, are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2007	57,000
2008	57,000
2009	57,000
2010	<u>57,000</u>
	<u>\$ 235,000</u>

NOTE 9 - LEASE COMMITMENTS (Continued)

The Consortium also leases offices in St. Ignace and Newberry. The St. Ignace lease is on a month-to-month basis for \$399 per month. The Newberry lease is on a month-to-month basis at \$850 per month.

The Consortium also has a lease agreement for allocation of space, workstations/furniture, rent, and utilities/maintenance with the Michigan Works! Service Center office in Sault Ste. Marie. There is no set lease term for the allocation as it is based on future considerations such as staffing and funding. The lease terms require monthly payments of \$630.

NOTE 10 - RELATED PARTIES

Federal program participants in some cases are related to members of management. Program related participant costs remitted on behalf of related parties was \$3,020 for fiscal 2006.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The E.U.P. Employment and Training Consortium participates in the Chippewa County pension plan. The following is a description of that plan:

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll for June 1, 2005 through December 31, 2005 was 4.5% and for January 1, 2006 through June 30, 2006 was 3.45%.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the fiscal year ended June 30, 2006, the Consortium's contributions totaling \$6,604 were made in accordance with the contribution requirement determined by MERS. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Employees of the Consortium are required to contribute 3% of their gross wages to the plan. During the fiscal year ended June 30, 2006, employees contributed \$4,960 to the plan.

Three year trend information as of December 31 follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 1,071,469	\$ 1,127,528	\$ 1,176,164
Actuarial Accrued Liability	1,053,258	1,093,974	1,136,038
Unfunded AAL	(18,211)	(33,554)	(40,126)
Funded Ratio	102%	103%	104%
Covered Payroll	107,487	121,721	156,825
UAAL as a Percentage of Covered Payroll	0%	0%	0%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	6,497	100%	0%
2004	8,357	100%	0%
2005	7,835	100%	0%

NOTE 12 - DESIGNATED FUND BALANCE

Fund balance is designated in the amount of \$56,598. These funds may be used for activities that are in keeping with the goals of the Consortium's Strategic Plan.

Required Supplemental Information

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ 30,407	\$ 30,407	\$ 29,626	\$ (781)
Miscellaneous Sources	-	-	308	308
TOTAL REVENUES	30,407	30,407	29,934	(473)
EXPENDITURES:				
Administration	2,220	2,200	-	2,200
Operating Costs	28,040	28,060	26,853	1,207
TOTAL EXPENDITURES	30,260	30,260	26,853	3,407
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 147</u>	<u>\$ 147</u>	3,081	<u>\$ 2,934</u>
FUND BALANCE, JULY 1			<u>7,179</u>	
FUND BALANCE, JUNE 30			<u>\$ 10,260</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Strategic Planning Initiative
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest on Deposits	\$ 300	\$ 1,075	\$ 922	\$ (153)
TOTAL REVENUES	300	1,075	922	(153)
EXPENDITURES:				
Administration	6,200	6,204	5,496	708
Other Programatic	2,350	3,900	2,500	1,400
TOTAL EXPENDITURES	8,550	10,104	7,996	2,108
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ (8,250)</u>	<u>\$ (9,029)</u>	(7,074)	<u>\$ (2,261)</u>
FUND BALANCE, JULY 1			<u>63,672</u>	
FUND BALANCE, JUNE 30			<u>\$ 56,598</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Adult
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 431,059	\$ 486,059	\$ 466,279	\$ (19,780)
TOTAL REVENUES	431,059	486,059	466,279	(19,780)
EXPENDITURES:				
Training Services	-	-	285,222	(285,222)
Core Services	-	-	97,377	(97,377)
Intensive Services	-	-	83,680	(83,680)
TOTAL EXPENDITURES	431,059	486,059	466,279	19,780
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Youth
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 453,290	\$ 459,403	\$ 433,470	\$ (25,933)
TOTAL REVENUES	453,290	459,403	433,470	(25,933)
EXPENDITURES:				
In-School Youth	-	-	233,952	(233,952)
Out-of-School Youth	-	-	199,518	(199,518)
TOTAL EXPENDITURES	453,290	459,403	433,470	25,933
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA-Dislocated Worker
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 249,562	\$ 303,734	\$ 266,936	\$ (36,798)
TOTAL REVENUES	249,562	303,734	266,936	(36,798)
EXPENDITURES:				
Training Services	-	-	149,630	(149,630)
Core Services	-	-	44,346	(44,346)
Intensive Services	-	-	72,960	(72,960)
TOTAL EXPENDITURES	249,562	303,734	266,936	36,798
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
TANF - Work First 9/06
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 319,438	\$ 283,376	\$ 230,491	\$ (52,885)
TOTAL REVENUES	319,438	283,376	230,491	(52,885)
EXPENDITURES:				
Administration	-	-	24,745	(24,745)
Supportive Services	-	-	45,272	(45,272)
Direct Client Services	-	-	160,474	(160,474)
TOTAL EXPENDITURES	319,438	283,376	230,491	52,885
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Employment Services
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 95,275	\$ 135,889	\$ 135,889	\$ -
TOTAL REVENUES	95,275	135,889	135,889	-
EXPENDITURES:				
Administration	-	-	21,295	(21,295)
Employment Services	-	-	114,569	(114,569)
Other Programatic	-	-	25	(25)
TOTAL EXPENDITURES	95,275	135,889	135,889	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			<u>\$ -</u>	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
Community Corrections 9/06
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 127,000	\$ 127,000	\$ 28,262	\$ (98,738)
TOTAL REVENUES	127,000	127,000	28,262	(98,738)
EXPENDITURES:				
Administration	38,291	38,291	20,843	17,448
Other Programmatic	88,709	90,988	7,419	83,569
TOTAL EXPENDITURES	127,000	127,000	28,262	98,738
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

**Eastern Upper Peninsula
Employment and Training Consortium**

**Required Supplemental Information
Budgetary Comparison Schedule
WIA Administration
Year Ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Federal Sources	\$ 125,989	\$ 148,707	\$ 119,701	\$ (29,006)
TOTAL REVENUES	125,989	148,707	119,701	(29,006)
EXPENDITURES:				
Administration	125,989	148,707	119,701	29,006
TOTAL EXPENDITURES	125,989	148,707	119,701	29,006
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE, JULY 1			-	
FUND BALANCE, JUNE 30			\$ -	

Other Supplemental Information

Eastern Upper Peninsula Employment and Training Consortium

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Funds								
	GF/GP WtoW 9/05	GF/GP WtoW 9/06	Food Stamp E&T - 9/06	Food Stamp E&T - 9/05	DDJRP 9/05	DDJRP 9/06	Trade Act 9/05	Trade Act 9/06	Reemployment Services
ASSETS:									
Cash and Cash Equivalents	\$ -	\$ 5,327	\$ 589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197
Receivables:									
Grants	-	-	-	-	-	765	-	-	18
Accounts	-	-	1,177	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,327</u>	<u>\$ 1,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 340	\$ -	\$ -	\$ -
Accounts Payable	-	1,502	-	-	-	425	-	-	166
Accrued Liabilities	-	585	43	-	-	-	-	-	49
Deferred Revenue	-	3,240	1,723	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>5,327</u>	<u>1,766</u>	<u>-</u>	<u>-</u>	<u>765</u>	<u>-</u>	<u>-</u>	<u>215</u>
FUND BALANCES:									
Unreserved:									
Undesignated	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 5,327</u>	<u>\$ 1,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215</u>

Eastern Upper Peninsula Employment and Training Consortium

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2006

	Special Revenue Funds								
	TANF- Work First 9/05	Reed Act Work First 9/05	Reed Act Work First 9/06	Reed Act One Stop 9/05	WIA One Stop	Transportation to Work 9/05	Community Corrections - 9/05	WIA Incentive	WIA - Youth Statewide Activity Grant
ASSETS:									
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 19	\$ 1,544	\$ -	\$ -	\$ -	\$ -
Receivables:									
Grants	-	-	-	-	-	-	-	-	-
Accounts	-	-	22	4	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 23</u>	<u>\$ 1,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	23	49	-	-	-	-
Accrued Liabilities	-	-	-	-	1,495	-	-	-	-
Deferred Revenue	-	-	3	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>22</u>	<u>23</u>	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Undesignated	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 23</u>	<u>\$ 1,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Eastern Upper Peninsula Employment and Training Consortium

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds					
	Incumbent Worker SWA	Distance Pilot Learning	WIA Capacity Building	WIA DW National Reserve	WIA Displaced Homemaker	Totals
ASSETS:						
Cash and Cash Equivalents	\$ 356	\$ -	\$ -	\$ -	\$ 4,495	\$ 12,527
Receivables:						
Grants	213	7,203	-	-	3,654	11,853
Accounts	-	-	-	-	-	1,203
TOTAL ASSETS	\$ 569	\$ 7,203	\$ -	\$ -	\$ 8,149	\$ 25,583
LIABILITIES:						
Due to Other Funds	\$ -	\$ 4,581	\$ -	\$ -	\$ -	\$ 4,940
Accounts Payable	468	2,412	-	-	7,956	13,001
Accrued Liabilities	101	210	-	-	193	2,676
Deferred Revenue	-	-	-	-	-	4,966
TOTAL LIABILITIES	569	7,203	-	-	8,149	25,583
FUND BALANCES:						
Unreserved:						
Undesignated	-	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 569	\$ 7,203	\$ -	\$ -	\$ 8,149	\$ 25,583

Eastern Upper Peninsula Employment and Training Consortium

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2006

	GF/GP WtoW 9/05	GF/GP WtoW 9/06	Food Stamp E&T - 9/06	Food Stamp E&T - 9/05	DDJRP 9/05	DDJRP 9/06	Trade Act 9/05	Trade Act 9/06	Reemployment Services
REVENUES:									
Federal Sources	\$ -	\$ -	\$ 7,957	\$ 1,282	\$ -	\$ -	\$ 7,461	\$ 4,494	\$ 10,072
State Sources	15,748	54,660	-	-	435	935	-	-	-
TOTAL REVENUES	15,748	54,660	7,957	1,282	435	935	7,461	4,494	10,072
EXPENDITURES:									
Administration	5,051	5,312	625	327	-	-	1,175	409	1,009
Supportive Services	9,669	16,033	730	150	-	-	-	-	-
Training Services	-	-	-	-	-	-	6,286	4,085	-
Direct Client Services	1,028	15,088	510	458	-	-	-	-	-
Information & Technology	-	18,227	-	-	-	-	-	-	-
Employment Services	-	-	-	-	-	-	-	-	9,063
Other Programmatic	-	-	6,092	347	435	935	-	-	-
In-School Youth	-	-	-	-	-	-	-	-	-
Core Services	-	-	-	-	-	-	-	-	-
Intensive Services	-	-	-	-	-	-	-	-	-
Out-of School Youth	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	15,748	54,660	7,957	1,282	435	935	7,461	4,494	10,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-
FUND BALANCES, JULY 1	-	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Eastern Upper Peninsula Employment and Training Consortium

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2006

	TANF- Work First 9/05	Reed Act Work First 9/05	Reed Act Work First 9/06	Reed Act One Stop 9/05	WIA One Stop	Transportation to Work 9/05	Community Corrections - 9/05	WIA Incentive	WIA - Youth Statewide Activity Grant
REVENUES:									
Federal Sources	\$ 87,184	\$ 26,818	\$ 347	\$ 10,586	\$ 40,000	\$ 4,871	\$ -	\$ 19,372	\$ 4,313
State Sources	-	-	-	-	-	-	91,693	-	-
TOTAL REVENUES	87,184	26,818	347	10,586	40,000	4,871	91,693	19,372	4,313
EXPENDITURES:									
Administration	7,635	3,208	-	4,519	4,000	-	20,010	3,579	431
Supportive Services	26,262	-	-	-	-	4,871	-	-	-
Training Services	-	-	-	-	-	-	-	7,977	-
Direct Client Services	53,074	6,559	347	-	-	-	-	-	-
Information & Technology	-	5,875	-	-	-	-	-	-	-
Employment Services	-	-	-	-	-	-	-	-	-
Other Programmatic	213	11,176	-	6,067	36,000	-	71,683	-	-
In-School Youth	-	-	-	-	-	-	-	3,695	3,882
Core Services	-	-	-	-	-	-	-	740	-
Intensive Services	-	-	-	-	-	-	-	256	-
Out-of School Youth	-	-	-	-	-	-	-	3,125	-
TOTAL EXPENDITURES	87,184	26,818	347	10,586	40,000	4,871	91,693	19,372	4,313
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	-	-	-	-
FUND BALANCES, JULY 1	-	-	-	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Eastern Upper Peninsula Employment and Training Consortium

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds Year Ended June 30, 2006

	Incumbent Worker SWA	Distance Pilot Learning	WIA Capacity Building	WIA DW National Reserve	WIA Displaced Homemaker	Totals
REVENUES:						
Federal Sources	\$ 22,532	\$ 39,396	\$ 24,000	\$ 4,550	\$ 36,454	\$ 351,689
State Sources	-	-	-	-	-	163,471
TOTAL REVENUES	22,532	39,396	24,000	4,550	36,454	515,160
EXPENDITURES:						
Administration	1,859	6,368	480	553	3,912	70,462
Supportive Services	-	-	-	-	-	57,715
Training Services	20,671	27,483	-	3,206	22,573	92,281
Direct Client Services	-	-	-	-	-	77,064
Information & Technology	-	-	-	-	-	24,102
Employment Services	-	-	-	-	-	9,063
Other Programmatic	-	5,545	23,520	-	-	162,013
In-School Youth	-	-	-	-	-	7,577
Core Services	2	-	-	420	-	1,162
Intensive Services	-	-	-	371	9,969	10,596
Out-of School Youth	-	-	-	-	-	3,125
TOTAL EXPENDITURES	22,532	39,396	24,000	4,550	36,454	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-	-	515,160
FUND BALANCES, JULY 1	-	-	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,160

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
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MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities and each major fund of E.U.P. Employment and Training Consortium as of and for the year ended June 30, 2006, which collectively comprise the E.U.P. Employment and Training Consortium's basic financial statements and have issued our report thereon, dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered E.U.P. Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether E.U.P. Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of E.U.P. Employment and Training Consortium in a separate letter October 20, 2006.

This report is intended solely for the information and use of the Board of Directors of E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

October 20, 2006



ANDERSON, TACKMAN & COMPANY, PLC
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

Compliance

We have audited the compliance of the E.U.P. Employment and Training Consortium with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Consortium's management. Our responsibility is to express an opinion on the Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Consortium's compliance with those requirements.

In our opinion, the Consortium complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors of E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 20, 2006

Eastern Upper Peninsula Employment and Training Consortium

Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	2006 Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
Food Stamp Employment & Training - 10/1/05 to 9/30/06	10.561	-	\$ 7,957
Food Stamp Employment & Training - 10/1/04 to 9/30/05	10.561	-	1,282
Total - U.S. Department of Agriculture			9,239
U.S. DEPARTMENT OF LABOR:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
Reed Act - Work First - 10/1/05 to 9/30/06	17.xxx	-	347
Reed Act - Work First - 10/1/04 to 9/30/05	17.xxx	-	26,818
Reed Act - One Stop - 10/1/04 to 9/30/05	17.xxx	-	10,586
Employment Service	17.207	-	135,889
Re-employment Service	17.207	-	10,072
Trade Act - 10/1/05 to 9/30/06	17.245	-	4,494
Trade Act - 10/1/04 to 9/30/05	17.245	-	7,461
WIA - Adult	17.258	-	466,279
WIA - Youth Statewide	17.258	-	1,108
WIA - Incumbent Worker - Statewide	17.258	-	5,786
WIA - Youth Statewide	17.259	-	1,203
WIA - Youth	17.259	-	433,470
WIA - Incumbent Worker - Statewide	17.259	-	6,284
WIA - Youth Statewide	17.260	-	2,002
WIA - Incumbent Worker - Statewide	17.260	-	10,462
WIA - DW National Reserve	17.260	-	4,550
WIA - Dislocated Worker	17.260	-	266,936
Distant Pilot Learning Grant	17.260	-	39,396
WIA - Capacity Building	17.258; 17.259; 17.260	-	24,000
WIA - Admin	17.258; 17.259; 17.260	-	119,701
WIA - One Stop Service Center	17.258; 17.259; 17.260	-	40,000
WIA - Displaced Homemaker	17.258; 17.259; 17.260	-	36,454
WIA Performance Incentive	17.258; 17.259; 17.260	-	19,372
Subtotal - MDCD			1,672,670
Total - U.S. Department of Labor			1,672,670
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Pass-through programs from the Michigan Dept. of Career Development (MDCD):</i>			
TANF - Transportation to Work - 10/1/04 to 9/30/05	93.558	-	4,871
TANF - Work First - 10/1/05 to 9/30/06	93.558	-	230,491
TANF - Work First - 10/1/04 to 9/30/05	93.558	-	87,184
Total - U.S. Department of Health and Human Services			322,546
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,004,455

**Eastern Upper Peninsula
Employment and Training Consortium**

**Notes to the Schedule of
Expenditures of Federal Awards
Year Ended June 30, 2006**

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of E. U. P. Employment and Training Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Labor is the oversight agency of the E. U. P. Employment and Training Consortium, as this federal agency provided the largest amount of indirect federal funding. The E. U. P. Employment and Training Consortium did not receive any direct federal funding during the fiscal year.

NOTE C - SUBRECIPIENTS:

Of the federal expenditures presented in the schedule, E. U. P. Employment and Training Consortium provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
NTI – Food Stamp Employment and Training	10.561	\$ 6,073
CCSS – Employment Services	17.207	94,787
CCSS – WIA - Adult	17.258	447,454
CCSS – WIA - Youth	17.259	421,192
CCSS – WIA - Youth Statewide Activity	17.259	3,882
CCSS – WIA - Dislocated Worker	17.260	255,140
CCSS – Reemployment Services	17.207	9,061
NTI – Work First and Work First Youth	93.558	230,099
NTI – Reed Act TANF	17.xxx	10,768
CCSS – Trade Act	17.245	10,891
CCSS – Incumbent Worker	17.259	20,315
CCSS – WIA - DW National Reserve	17.260	2,873
CCSS – WIA Incentive	17.258, 17.259, 17.260	14,077
CCSS – Distance Pilot Learning	17.267	27,484
CCSS – WIA Displaced Homemaker	17.258, 17.259, 17.260	31,918
EUPTA – Transportation to Work	93.558	4,871
Total federal awards provided to subrecipients		<u>\$ 1,590,885</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs:

CFDA Numbers

17.258, 17.259, 17.260
93.558

Name of Federal Program or Cluster

Workforce Investment Act – (WIA Cluster)
Temporary Assistance for Needy Families
(TANF)

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NONE

Section II – Financial Statement Findings

NONE



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REPORT TO MANAGEMENT

Members of the Board
E.U.P. Employment and Training Consortium
1118 E. Easterday Avenue
Sault Ste. Marie, MI 49783

We have audited the basic financial statements of the E.U.P. Employment and Training Consortium, Michigan for the period ended June 30, 2006, and have issued our reports thereon dated October 20, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered E.U.P. Employment and Training Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the E.U.P. Employment and Training Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about E.U.P. Employment and Training Consortium's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on E.U.P. Employment and Training Consortium's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on E.U.P. Employment and Training Consortium's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the E.U.P. Employment and Training Consortium are described in Note 1 to the financial statements. We noted no transactions entered into by the E.U.P. Employment and Training Consortium during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the E.U.P. Employment and Training Consortium's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the E.U.P. Employment and Training Consortium, either individually or in the aggregate, indicate matters that could have a significant effect on the E.U.P. Employment and Training Consortium's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the E.U.P. Employment and Training Consortium's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the E.U.P. Employment and Training Consortium's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

Cut-off (Prior Year)

There does not appear to be proper cut off of cash at year end. It was noted that several checks were dated July 1, 2005 and were listed as outstanding checks on the June 30, 2005 bank reconciliation. It is recommended checks do not be posted to a period other than the period the check is written.

Status: Corrected.

System Training (Prior Year)

The system utilized by the Consortium underwent several updates through the year. It was noted at the time of our audit that reports were run that included amounts that did not exist. It is recommended to get the most out of the system that staff should attend systems training.

Status: Corrected.

Budgeting (Prior Year)

During our review of the budgets, it was noted the general fund budget was adopted for all the Consortium activities. We recommend the budget be adopted for only Fund 100.

Status: Corrected.

We also noted the budgets were not approved until January 2005. We recommend the budgets be adopted prior to the beginning of the fiscal year.

Status: See Comment Below.

Approved Budget

We also noted the budgets were not approved until December 2005. We recommend the budgets be adopted prior to the beginning of the fiscal year.

Payroll

It was noted during our review of payroll that two W-4 Forms were incomplete. It is recommended that all forms be completed at the time of hire in their entirety. It was also noted that the Director's time sheets are not approved. It is recommended that someone knowledgeable of her time should sign to verify the hours.

Close Grants

It was noted during our review of closed grants that there was a cash balance in a fund which the grant ended during 2006. It is recommended that when grants end during a fiscal year all balance sheet activity should be zero, unless extenuating circumstances exist.

Invoice Payment Approval

Currently, the Board only approves invoices over \$1,000 prior to payment. The Board should approve all invoices prior to payment. The Board should establish a policy which allows payment of invoices prior to board approval for all recurring invoices (such as utilities) and in order to receive credit or avoid late fees.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This report is intended solely for the information and use of the Board of Directors of the E.U.P. Employment and Training Consortium, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 20, 2006